Gas Utility Rates

Rates that Gas Utility may charge for gas service come in two forms: 1) rates designed to recover costs other than PGCs; and 2) rates designed to recover purchase gas costs. Rates designed to recover costs other than PGCs are primarily established in general base rate proceedings. Rates designed to recover PGCs are reviewed in PGC rate proceedings. The most recent general base rate increase for UGI Gas became effective in 1995. In accordance with a statutory mechanism, a rate increase for Gas Utility's retail core-market customers became effective October 1, 2000 along with a PGC variable credit equal to a portion of the margin received from customers served under interruptible rates to the extent such interruptible customers use third-party pipeline capacity contracted for by UGI Gas for retail core-market customers.

On August 11, 2011, the PUC approved CPG's base rate case settlement agreement, which resulted in an $8.9 million base rate operating revenue increase for CPG. The increase became effective on August 30, 2011. On August 27, 2009, the PUC approved PNG's and CPG's base rate case settlement agreements, which resulted in a $19.75 million base rate operating revenue increase for PNG and a $10 million base rate operating revenue increase for CPG. These increases became effective on August 28, 2009.

The gas service tariffs for UGI Gas, PNG and CPG contain PGC rates applicable to firm retail rate schedules. These PGC rates permit recovery of substantially all of the prudently incurred costs of natural gas that UGI Gas, PNG, and CPG sell to their customers. PGC rates are reviewed and approved annually by the PUC. UGI Gas, PNG, and CPG may request quarterly or, under certain conditions, monthly adjustments to reflect the actual cost of gas. Quarterly adjustments become effective on 1 day's notice to the PUC and are subject to review during the next annual PGC filing. Each proposed annual PGC rate is required to be filed with the PUC 6 months prior to its effective date. During this period, the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels which meet that standard. The PGC mechanism also provides for an annual reconciliation.

UGI Gas has two PGC rates: (1) PGC is applicable to small, firm, retail core-market customers consisting of the residential and small commercial and industrial classes; and (2) PGC is applicable to firm, contractual, high-load factor customers served on three separate rates. PNG and CPG each have one PGC rate applicable to all customers.

Electric Utility Rates

The most recent general base rate increase for Electric Utility became effective in 1996. Electric Utility's rates were unbundled into distribution, transmission and generation (POLR or "default service") components in 1998. In accordance with the POLR Settlements, Electric Utility increased POLR rates annually from 2005 through 2009.

PUC default service regulations became applicable to Electric Utility's provision of default service effective January 1, 2010 and Electric Utility, consistent with these regulations, has received approval from the PUC of (1) default service tariff rules applicable for service rendered on or after January 1, 2010, (2) a reconcilable default service cost rate recovery mechanism to recover the cost of acquiring default service supplies for service rendered on or after January 1, 2010, (3) a plan for meeting the post-2009 requirements of the Alternative Energy Portfolio Standards Act ("AEPS Act"), which requires Electric Utility to directly or indirectly acquire certain percentages of its supplies from designated alternative energy sources and (4) a reconcilable AEPS Act cost recovery rate mechanism to recover the costs of complying with AEPS Act requirements applicable to default service supplies for service rendered on or after January 1, 2010. Under these rules, default service rates for most customers will be adjusted quarterly.

FERC Market Manipulation Rules and Other FERC Enforcement and Regulatory Powers

Both Gas Utility and Electric Utility, and our subsidiary, UGI Energy Services, Inc. and several of its subsidiaries are subject to FERC regulations governing the manner in which certain jurisdictional sales or transportation are conducted. Section 4A of the Natural Gas Act and Section 222 of the Federal Power Act prohibit the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of natural gas, electric energy, or natural gas transportation or electric transmission services subject to the jurisdiction of FERC. FERC has adopted regulations to implement these statutory provisions which apply to interstate transportation and sales by the Electric Utility, and to a much more limited extent, to certain sales and transportation by the Gas Utility that are subject to FERC's jurisdiction. Gas Utility and Electric Utility are subject to certain other regulations and obligations for FERC-regulated activities. Under provisions of the Energy Policy Act of 2005 ("EPACT 2005"), Electric Utility is subject to certain electric reliability standards established by FERC and administered by an Electric Reliability Organization ("ERO"). Electric Utility anticipates that substantially all the costs of complying with the ERO standards will be recoverable through its PJM formulary electric transmission rate schedule.

EPACT 2005 also granted FERC authority to impose substantial civil penalties for the violation of any regulations, orders or provisions under the Federal Power Act and Natural Gas Act, and clarified FERC's authority over certain utility or holding company mergers or acquisitions of electric utilities or electric transmitting utility property valued at $10 million or more.

State Tax Surcharge Clauses

UGI Utilities' gas and electric service tariffs contain state tax surcharge clauses. The surcharges are recomputed whenever any of the tax rates included in their calculation are changed. These clauses protect UGI Utilities from the effects of increases in most of the Pennsylvania taxes to which it is subject.

Utility Franchises

UGI Utilities, PNG and CPG each hold certificates of public convenience issued by the PUC and certain "grandfather rights" predating the adoption of the Pennsylvania Public Utility Code and its predecessor statutes, which each of them believes are adequate to authorize them to carry on their business in substantially all of the territories to which they now render gas or electric service. Under applicable Pennsylvania law, UGI Utilities, PNG and CPG also have certain rights of eminent domain as well as the right to maintain their facilities in streets and highways in their territories.

Other Government Regulation

In addition to regulation by the PUC and FERC, the gas and electric utility operations of UGI Utilities are subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. UGI Utilities is subject to the requirements of the federal Resource Conservation and Recovery Act, CERCLA and comparable state statutes with respect to the release of hazardous substances on property owned or operated by UGI Utilities. See Note 15 to Consolidated Financial Statements.

Employees

At September 30, 2011, UGI Utilities had approximately 1,400 employees.

MIDSTREAM & MARKETING

Energy Services operates the energy-related businesses described below.

Retail Energy Marketing

Energy Services sells natural gas, liquid fuels and electricity to approximately 10,000 commercial and industrial customers at approximately 30,000 locations. Energy Services serves customers in all or portions of Pennsylvania, New Jersey, Delaware, New York, Ohio, Maryland, Virginia, North Carolina and the District of Columbia. Energy Services distributes natural gas through the use of the transportation systems of 33 utility systems. It supplies power to customers through the use of the transmission systems of 19 utility systems.

A majority of Energy Services' commodity sales are made under fixed-price agreements. Energy Services manages supply cost volatility related to these agreements by (i) entering into fixed-price supply arrangements with a diverse group of suppliers and holders of interstate pipeline capacity, (ii) entering into exchange-traded futures contracts on the New York Mercantile Exchange, (iii)entering into over-the-counter derivative arrangements with major international banks and major suppliers, and (iv) utilizing supply assets that it owns or manages. Energy Services also bears the risk for balancing and delivering natural gas and power to its customers under various gas pipeline and utility company tariffs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Disclosures."

Midstream Assets

Energy Services operates a natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania ("Temple Facility"), and propane storage and propane-air mixing stations in Bethlehem, Reading, Hunlock Creek, and White Deer, Pennsylvania. It also operates propane storage, rail transshipment terminals and propane-air mixing stations in Steelton and Williamsport, Pennsylvania. These assets are used in Energy Services' energy peaking business that provides supplemental energy, primarily liquefied natural gas and propane-air mixtures, to gas utilities at times of high demand (generally during periods of coldest winter weather). During Fiscal 2011, Energy Services continued construction work on the fourfold expansion of its Temple Facility. That project is on schedule and expected to be completed during Fiscal 2012. Energy Services also manages natural gas pipeline and storage contracts for UGI Utilities, subject to a competitive bid process, as well as storage capacity owned by Energy Services.

During Fiscal 2011, a subsidiary of Energy Services acquired underground natural gas storage facilities formerly owned by CPG and received FERC approval to sell storage services at market-based rates. The storage facilities are located in the Marcellus Shale region of Pennsylvania and have a total storage quantity of 15 million decatherms and a maximum daily withdrawal quantity of 224,000 decatherms.

In Fiscal 2011, Energy Services continued making investments in infrastructure projects to support the development of natural gas in the Marcellus Shale region of Pennsylvania. Our initial gathering project to transport natural gas from a pipeline in Pennsylvania to an interstate pipeline was placed into service in October 2011. Future planned investments are expected to cover a range of new midstream asset opportunities, including interstate pipelines, local gathering systems and gas storage facilities.

Electric Generation

We have an approximate 5.97% (approximately 102 megawatt) ownership interest in the Conemaugh generation station ("Conemaugh"), a 1,711 megawatt, coal-fired generation station located near Johnstown, Pennsylvania. Conemaugh is owned by a consortium of energy companies and operated by a unit of Reliant Resources, Inc. Energy Services also owns the Hunlock Station located near Wilkes-Barre, Pennsylvania, which is a 125-megawatt natural gas-fueled generating station, which commenced operations in July 2011. Prior to June 2010, Energy Services operated the Hunlock Station as a 44-megawatt coal-fired facility. At that time, it ceased operations to facilitate conversion to a natural gas-fueled plant. Due to an accident in late July 2011, one unit at Hunlock Station was shut down for repairs and is expected to restart in the spring of 2012. Another unit at Hunlock Station suffered flood damage later in the fourth quarter of Fiscal 2011 and was restarted in early November 2011.

Energy Services owns and operates a landfill gas-fueled electricity generation plant near Hegins, Pennsylvania with gross generating capacity of 11 megawatts. The plant qualifies for renewable energy credits. Energy Services owns and operates a 1 megawatt solar-powered generation facility in Easton, Pennsylvania. During Fiscal 2011, Energy Services completed the construction of 8 solar-powered facilities generating an aggregate of more than 4 megawatts. Several other solar generation projects are in development.

Competition

Energy Services competes with other marketers and local utilities to sell natural gas, liquid fuels, electric power and related services to customers in its service area principally on the basis of price, customer service and reliability. For electricity generation, we compete with other generation stations on the PJM interface where sales are based on bid pricing.

Government Regulation

FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy, as well as the sales for resale of natural gas and related storage and transportation services. Energy Services has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates. Energy Services also has market-based rate authority for power sales to wholesale customers to the extent that Energy Services purchases power in excess of its retail customer needs. Two subsidiaries of Energy

Services operate facilities under FERC certificate approvals and offer services to wholesale customers at FERC-approved market-based rates. Energy Services also owns electric generation facilities that are within the control area of PJM and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. Energy Services receives certain revenues collected by PJM, determined under a formulary rate schedule. Energy Services is also subject to FERC market manipulation rules and enforcement and regulatory powers. See "Gas Utility and Electric Utility Regulation and Rates — FERC Market Manipulation Rules and Other FERC Enforcement and Regulatory Powers."

Energy Services is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage LPG terminals. These laws include, among others, the Resource Conservation and Recovery Act, CERCLA, the Clean Air Act, the Occupational Safety and Health Act, the Homeland Security Act of 2002, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment without regard to fault or the legality of the original conduct.

Employees

At September 30, 2011, Energy Services and its subsidiaries had approximately 190 employees.

HVAC/R

We conduct a heating, ventilation, air-conditioning, refrigeration and electrical contracting service business through UGI HVAC Enterprises, Inc. ("HVAC/R") serving portions of eastern Pennsylvania and the Mid-Atlantic region, including the Philadelphia suburbs and portions of New Jersey and northern Delaware. This business serves more than 107,500 customers in residential, commercial, industrial and new construction markets. During Fiscal 2011, HVAC/R generated approximately $84 million in revenues and employed approximately 475 people.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's reportable business segments, and to the geographic areas in which we operate, for the 2011, 2010 and 2009 fiscal years appears in Note 21 to Consolidated Financial Statements included in Item 8 of this Report and is incorporated herein by reference.

EMPLOYEES

At September 30, 2011, UGI and its subsidiaries had approximately 9,750 employees.

ITEM 1A. RISK FACTORS

There are many factors that may affect our business and results of operations. Additional discussion regarding factors that may affect our business and operating results is included elsewhere in this Report.

Decreases in the demand for our energy products and services because of warmer-than-normal heating season weather may adversely affect our results of operations.

Because many of our customers rely on our energy products and services to heat their homes and businesses, our results of operations are adversely affected by warmer-than-normal heating season weather. Weather conditions have a significant impact on the demand for our energy products and services for both heating and agricultural purposes. Accordingly, the volume of our energy products sold is at its highest during the peak heating season of October through March and is directly affected by the severity of the winter weather. For example, historically, approximately 65% to 70% of AmeriGas Partners' annual retail propane volume and Antargaz' annual retail LPG volume, and 60% to 65% of Gas Utility's natural gas throughput (the total volume of gas sold to or transported for customers within our distribution system) has been sold during these months. There can be no assurance that normal winter weather in our market areas will occur in the future.

Our holding company structure could limit our ability to pay dividends or debt service.

We are a holding company whose material assets are the stock of our subsidiaries. Our ability to pay dividends on our common stock and to pay principal and accrued interest on our debt, if any, depends on the payment of dividends to us by our principal subsidiaries, AmeriGas, Inc., UGI Utilities, Inc. and UGI Enterprises, Inc. (including Antargaz). Payments to us by those subsidiaries, in turn, depend upon their consolidated results of operations and cash flows. The operations of our subsidiaries are affected by conditions beyond our control, including weather, competition in national and international markets we serve, the costs and availability of propane, butane, natural gas, electricity, and other energy sources and capital market conditions. The ability of our subsidiaries to make payments to us is also affected by the level of indebtedness of our subsidiaries, which is substantial, and the restrictions on payments to us imposed under the terms of such indebtedness.

Our profitability is subject to LPG pricing and inventory risk.

The retail LPG business is a "margin-based" business in which gross profits are dependent upon the excess of the sales price over the LPG supply costs. LPG is a commodity, and, as such, its unit price is subject to volatile fluctuations in response to changes in supply or other market conditions. We have no control over these market conditions. Consequently, the unit price of the LPG that our subsidiaries and other marketers purchase can change rapidly over a short period of time. Most of our domestic LPG product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major U.S. storage points such as Mont Belvieu, Texas or Conway, Kansas. Most of our international LPG supply contracts are based on internationally quoted market prices. Because our subsidiaries' profitability is sensitive to changes in wholesale supply costs, it will be adversely affected if we cannot pass on increases in cost to our customers. Due to competitive pricing in the industry, our subsidiaries may not be able to pass on product cost increases to our customers when product costs rise rapidly, or when our competitors do not raise their product prices. Finally, market volatility may cause our subsidiaries to sell LPG at less than the price at which they purchased it, which would adversely affect our operating results.

Energy efficiency and technology advances, as well as price induced customer conservation, may result in reduced demand for our energy products and services.

The trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, may reduce the demand for energy products. Prices for LPG and natural gas are subject to volatile fluctuations in response to changes in supply and other market conditions. During periods of high energy commodity costs, our prices generally increase which may lead to customer conservation and attrition. A reduction in demand could lower our revenues, and therefore, lower our net income and adversely affect our cash flows. State and/or federal regulation may require mandatory conservation measures which would reduce the demand for our energy products. We cannot predict the materiality of the effect of future conservation measures or the effect that any technological advances in heating, conservation, energy generation or other devices might have on our operations.

Volatility in credit and capital markets may restrict our ability to grow, increase the likelihood of defaults by our customers and counterparties and adversely affect our operating results.

The volatility in credit and capital markets may create additional risks to our businesses in the future. We are exposed to financial market risk (including refinancing risk) resulting from, among other things, changes in interest rates and conditions in the credit and capital markets. Developments in the credit markets during the past few years increase our possible exposure to the liquidity, default and credit risks of our suppliers, counterparties associated with derivative financial instruments and our customers. Although we believe that current financial market conditions, if they were to continue for the foreseeable future, will not have a significant impact on our ability to fund our existing operations, such market conditions could restrict our ability to grow through acquisitions, limit the scope of major capital projects if access to credit and capital markets is limited, or could adversely affect our operating results.

The economic recession, volatility in the stock market and the low interest rate environment may negatively impact our pension liability.

The economic recession, decline in the stock market and the low interest rate environment have had a significant impact on our pension liability and funded status. Additional declines in the stock market and valuation of stocks, combined with continued low interest rates, could further impact our pension liability and funded status and increase the amount of required contributions to our pension plans.

Supplier defaults may have a negative effect on our operating results.

When the Company enters into fixed-price sales contracts with customers, it typically enters into fixed-price purchase contracts with suppliers. Depending on changes in the market prices of products compared to the prices secured in our contracts with suppliers of LPG, natural gas and electricity, a default of one or more of our suppliers under such contracts could cause us to purchase those commodities at higher prices which would have a negative impact on our operating results.

We are dependent on our principal propane suppliers, which increases the risks from an interruption in supply and transportation.

During Fiscal 2011, AmeriGas Propane purchased approximately 82% of its propane needs from ten suppliers. If supplies from these sources were interrupted, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, our earnings could be affected. Additionally, in certain areas, a single supplier provides more than 50% of AmeriGas Propane's propane requirements. Disruptions in supply in these areas could also have an adverse impact on our earnings. Antargaz and Flaga are similarly dependent upon their suppliers. There is no assurance that Antargaz and Flaga will be able to continue to acquire sufficient supplies of LPG to meet demand at prices or within time periods that would allow them to remain competitive.

Changes in commodity market prices may have a negative effect on our liquidity.

Depending on the terms of our contracts with suppliers and some large customers, as well as our use of financial instruments to reduce volatility in the cost of LPG, electricity or natural gas, and for all of our contracts with the NYMEX, changes in the market price of LPG, electricity and natural gas can create margin payment obligations for the Company or one of its subsidiaries and expose us to an increased liquidity risk.

Our operations may be adversely affected by competition from other energy sources.

Our energy products and services face competition from other energy sources, some of which are less costly for equivalent energy value. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Our propane businesses compete for customers against suppliers of electricity, fuel oil and natural gas. Electricity is a major competitor of propane. In the United States, propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Furnaces and appliances that burn propane will not operate on fuel oil and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Our customers generally have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because natural gas is generally a less expensive source of energy than propane. The gradual expansion of natural gas distribution systems in our service areas has resulted, and may continue to result, in the availability of natural gas in some areas that previously depended upon propane. As long as natural gas remains a less expensive energy source than propane, our propane business will lose customers in each region into which natural gas distribution systems are expanded. In France, the state-owned natural gas monopoly, Gaz de France, has in the past extended France's natural gas grid. In addition, due to the prevalence of nuclear electric generation in France, the cost of electricity is generally less expensive than that of LPG.

Our natural gas businesses compete primarily with electricity and fuel oil, and, to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. There can be no assurance that our natural gas revenues will not be adversely affected by this competition.

Our ability to increase revenues is adversely affected by the decline of the retail LPG industry.

The retail LPG distribution industry in the U.S., France, Austria and Denmark is mature, with no growth, or modest declines in total demand foreseen. Given this forecast, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, our ability to grow within the LPG industry is dependent on our ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the domestic ACE and Strategic Accounts programs in the U.S., as well as the success of our sales and marketing programs designed to attract and retain customers. Any failure to retain and grow our customer base would have an adverse effect on our results.

Our ability to grow our businesses will be adversely affected if we are not successful in making acquisitions or integrating the acquisitions we have made.

One of our strategies is to grow through acquisitions in the United States and in international markets. We may choose to finance future acquisitions with debt, equity, cash or a combination of the three. We can give no assurances that we will find attractive acquisition candidates in the future, that we will be able to acquire such candidates on economically acceptable terms, that we will be able to finance acquisitions on economically acceptable terms, that any acquisitions will not be dilutive to earnings or that any additional debt incurred to finance an acquisition will not affect our ability to pay dividends.

In addition, the restructuring of the energy markets in the United States and internationally, including the privatization of government-owned utilities and the sale of utility-owned assets, is creating opportunities for, and competition from, well-capitalized competitors, which may affect our ability to achieve our business strategy.

To the extent we are successful in making acquisitions, such acquisitions, including the acquisition of certain of Shell's LPG distribution businesses in Europe and the anticipated acquisition of the propane operations of Energy Transfer, involve a number of risks. These risks include but are not limited to, the assumption of material liabilities, the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and practices, as well as in the assimilation of broad and geographically dispersed personnel and operations. The failure to successfully integrate acquisitions could have an adverse effect on our business, financial condition and results of operations.

Expanding our midstream asset business by constructing new facilities subjects us to risks.

One of the ways we seek to grow our midstream asset business is by constructing new pipelines and gathering systems, expanding our LNG facility and improving our gas storage facilities. These construction projects involve numerous regulatory, environmental, political and legal uncertainties beyond our control and require the expenditure of significant amounts of capital. These projects may not be completed on schedule, or at all, or at the anticipated costs. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. We may construct facilities to capture anticipated future growth in production and demand in an area in which anticipated growth and demand does not materialize. As a result, there is the risk that new and expanded facilities may not be able to attract enough customers to achieve our expected investment returns, which could have a material adverse effect on our business, results of operations or financial condition.

Our need to comply with comprehensive, complex, and sometimes unpredictable government regulations may increase our costs and limit our revenue growth, which may result in reduced earnings.

While we generally refer to our Gas Utility and Electric Utility segments as our "regulated segments," there are many governmental regulations that have an impact on our businesses. Existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to the Company which may affect our businesses in ways that we cannot predict.

Regulators may not allow timely recovery of costs for UGI Utilities in the future, which may adversely affect our results of operations.

In our Gas Utility and Electric Utility segments, our distribution operations are subject to regulation by the PUC. The PUC, among other things, approves the rates that UGI Utilities and its subsidiaries, PNG and CPG, may charge their utility customers, thus impacting the returns that UGI Utilities may earn on the assets that are dedicated to those operations. We expect that PNG and CPG will periodically file requests with the PUC to increase base rates that each company charges customers. If UGI Utilities is required in a rate proceeding to reduce the rates it charges its utility customers, or if UGI Utilities is unable to obtain approval for timely rate increases from the PUC, particularly when necessary to cover increased costs, UGI Utilities' revenue growth will be limited and earnings may decrease.

We are subject to operating and litigation risks that may not be covered by insurance.

Our business operations in the U.S. and other countries are subject to all of the operating hazards and risks normally incidental to the handling, storage and distribution of combustible products, such as LPG, propane and natural gas, and the generation of electricity. These risks could result in substantial losses due to personal injury and/or loss of life, and severe damage to and destruction of property and equipment arising from explosions and other catastrophic events, including acts of terrorism. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. There can be no assurance that our insurance will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance will be available in the future at economical prices.

We may be unable to respond effectively to competition, which may adversely affect our operating results.

We may be unable to timely respond to changes within the energy and utility sectors that may result from regulatory initiatives to further increase competition within our industry. Such regulatory initiatives may create opportunities for additional competitors to enter our markets and, as a result, we may be unable to maintain our revenues or continue to pursue our current business strategy.

Our net income will decrease if we are required to incur additional costs to comply with new governmental safety, health, transportation, tax and environmental regulations.

We are subject to extensive and changing international, federal, state and local safety, health, transportation, tax and environmental laws and regulations governing the storage, distribution and transportation of our energy products.

New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. In addition, for many of our operations, we are required to obtain permits from regulatory authorities. Failure to obtain or comply with these permits or applicable laws could result in civil and criminal fines or the cessation of the operations in violation. Governmental regulations and policies in the United States and Europe may provide for subsidies or incentives to customers who use alternative fuels instead of carbon fuels. These subsidies and incentives may result in reduced demand for our energy products and services.

We are investigating and remediating contamination at a number of present and former operating sites in the U.S., including former sites where we or our former subsidiaries operated manufactured gas plants. We have also received claims from third parties that allege that we are responsible for costs to clean up properties where we or our former subsidiaries operated a manufactured gas plant or conducted other operations. Costs we incur to remediate sites outside of Pennsylvania cannot currently be recovered in PUC rate proceedings, and insurance may not cover all or even part of these costs. Our actual costs to clean up these sites may exceed our current estimates due to factors beyond our control, such as:

- the discovery of presently unknown conditions;
- changes in environmental laws and regulations;
- judicial rejection of our legal defenses to the third-party claims; or
- the insolvency of other responsible parties at the sites at which we are involved.

In addition, if we discover additional contaminated sites, we could be required to incur material costs, which would reduce our net income.

Our operations, capital expenditures and financial results may be affected by regulatory changes and/or market responses to global climate change.

There continues to be concern, both nationally and internationally, about climate change and the contribution of greenhouse gas ("GHG") emissions, most notably carbon dioxide, to global climate change. In addition to carbon dioxide, greenhouse gases include, among others, methane, a component of natural gas. While some states have adopted laws or regulations regulating the emission of GHGs for some industry sectors, there is currently no federal or regional legislation mandating the reduction of GHG emissions in the United States. In September 2009, the Environmental Protection Agency ("EPA") issued a final rule establishing a system for mandatory reporting of GHG emissions. In November 2010, the EPA expanded the reach of its GHG reporting requirements to include the petroleum and natural gas industries. Petroleum and natural gas facilities subject to the rule, which include facilities of our natural gas distribution and electricity generation businesses, are required to begin emissions monitoring in January 2011 and to submit detailed annual reports beginning in March 2012. The rule does not require affected facilities to implement GHG emission controls or reductions.

It is expected that climate change legislation will continue to be part of the legislative and regulatory discussion for the foreseeable future. Increased regulation of GHG emissions, especially in the transportation sector, could impose significant additional costs on us and our customers. The impact of legislation and regulations on us will depend on a number of factors, including (i) what industry sectors would be impacted, (ii) the timing of required compliance, (iii) the overall GHG emissions cap level, (iv) the allocation of emission allowances to specific sources, and (v) the costs and opportunities associated with compliance. At this time, we cannot predict the effect that climate change regulation may have on our business, financial condition or results of operations in the future.

Our international operations could result in increased risks which may negatively affect our business results.

We currently operate LPG distribution businesses in Europe through our subsidiaries and we continue to explore the expansion of our international businesses. As a result, we face risks in doing business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- longer payment cycles;
- local political and economic conditions;
- potentially adverse tax consequences, including restrictions on repatriating earnings and the threat of "double taxation;"
- fluctuations in currency exchange rates, which can affect demand and increase our costs;
- internal control and risk management practices and policies;
- regulatory requirements and changes in regulatory requirements, including French, Austrian, Danish and EU competition laws that may adversely affect the terms of contracts with customers, and stricter regulations applicable to the storage and handling of LPG; and
- new and inconsistently enforced LPG industry regulatory requirements, which can have an adverse effect on our competitive position.

Unforeseen difficulties with the implementation or operation of our information systems could adversely affect our internal controls and our businesses.

We contracted with third-party consultants to assist us with the design and implementation of an information system that supports the Partnership's Order-to-Cash business processes. The efficient execution of the Partnership's business is dependent upon the proper functioning of its internal systems. Any significant failure or malfunction of the Partnership's or our other business units' information systems may result in disruptions of their operations. Our results of operations could be adversely affected if we encounter unforeseen problems with respect to the operation of our information systems.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

BP America Production Company v. Amerigas Propane, L.P. On July 15, 2011, BP America Production Company ("BP") filed a complaint against AmeriGas Propane, L.P. in the District Court of Denver County, Colorado, alleging, among other things, breach of contract and breach of the covenant of good faith and fair dealing relating to amounts billed for certain goods and services provided to BP since 2005 (the "Services"). The Services relate to the installation of propane-fueled equipment and appliances, and the supply of propane, to approximately 400 residential customers at the request of and for the account of BP. The complaint seeks an unspecified amount of direct, indirect, consequential, special and compensatory damages, including attorneys' fees, costs and interest and other appropriate relief. It also seeks an accounting to determine the amount of the alleged overcharges related to the Services. We have substantially completed our investigation of this matter and, based upon the results of that investigation, we believe we have good defenses to the claims set forth in the complaint and the amount of loss will not be material.

Federal Trade Commission Investigation of Propane Grill Cylinder Filling Practices. On or about November 4, 2011, the General Partner received notice that the Federal Trade Commission is conducting an antitrust and consumer protection investigation into certain practices of the Partnership which relate to the filling of portable propane grill cylinders. Based upon the limited amount of information available at this time, the Partnership believes the investigation concerns, in whole or in part, the Partnership's decision, in 2008, to reduce the volume of propane in the grill cylinders it sells to consumers from 17 pounds to 15 pounds. The Partnership believes that it will have good defenses to any claims that may result from this investigation. Because of the limited information available at this time, we are not able to assess the financial impact this investigation or any related claims may have on the Partnership.

With the exception of the matters described above, and those matters set forth in Note 15 to Consolidated Financial Statements included in Item 8 of this Report, no material legal proceedings are pending involving UGI, any of its subsidiaries, or any of their properties, and no such proceedings are known to be contemplated by governmental authorities other than claims arising in the ordinary course of business.

ITEM 4. (REMOVED AND RESERVED)

EXECUTIVE OFFICERS

Information regarding our executive officers is included in Part III of this Report and is incorporated in Part I by reference.

PART II:

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock is traded on the New York Stock Exchange under the symbol "UGI." The following table sets forth the high and low sales prices for the Common Stock on the New York Stock Exchange Composite Transactions tape as reported in *The Wall Street Journal* for each full quarterly period within the two most recent fiscal years:

2011 Fiscal Year	High	Low
4th Quarter	$ 32.68	$ 25.81
3rd Quarter	33.53	30.22
2nd Quarter	33.34	30.63
1st Quarter	32.49	28.57

2010 Fiscal Year	High	Low
4th Quarter	$ 29.00	$ 24.90
3rd Quarter	27.88	24.30
2nd Quarter	26.95	23.83
1st Quarter	25.65	23.18

Dividends

Quarterly dividends on our Common Stock were paid in Fiscal 2011 and Fiscal 2010 as follows:

2011 Fiscal Year	Amount
4th Quarter	$ 0.26000
3rd Quarter	0.25000
2nd Quarter	0.25000
1st Quarter	0.25000

2010 Fiscal Year	Amount
4th Quarter	$ 0.25000
3rd Quarter	0.20000
2nd Quarter	0.20000
1st Quarter	0.20000

Record Holders

On November 16, 2011, UGI had 7,495 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

(Millions of dollars, except per share amounts)	Year Ended September 30, 2011	2010	2009	2008	2007
FOR THE PERIOD:					
Income statement data:					
Revenues	$ 6,091.3	$ 5,591.4	$ 5,737.8	$ 6,648.2	$ 5,476.9
Net income	$ 308.2	$ 355.7	$ 382.0	$ 305.3	$ 311.2
Less: net income attributable to noncontrolling interests, principally in AmeriGas Partners	(75.3)	(94.7)	(123.5)	(89.8)	(106.9)
Net income attributable to UGI Corporation	$ 232.9	$ 261.0	$ 258.5	$ 215.5	$ 204.3
Earnings per common share attributable to UGI stockholders:					
Basic	$ 2.09	$ 2.38	$ 2.38	$ 2.01	$ 1.92
Diluted	$ 2.06	$ 2.36	$ 2.36	$ 1.99	$ 1.89
Cash dividends declared per common share	$ 1.02	$ 0.90	$ 0.785	$ 0.755	$ 0.723
AT PERIOD END:					
Balance sheet data:					
Total assets	$ 6,663.3	$ 6,374.3	$ 6,042.6	$ 5,685.0	$ 5,502.7
Capitalization:					
Debt:					
Bank loans — UGI Utilities	$ —	$ 17.0	$ 154.0	$ 57.0	$ 190.0
Bank loans — AmeriGas Propane	95.5	91.0	—	—	—
Bank loans — Antargaz	—	68.2	—	70.4	—
Bank loans — other	43.2	24.2	9.1	9.0	8.9
Long-term debt (including current maturities):					
AmeriGas Propane	933.5	791.4	865.6	933.4	933.1
International Propane	571.3	561.1	613.8	589.5	605.2
UGI Utilities	640.0	640.0	640.0	532.0	512.0
Other	12.9	13.3	13.7	14.2	3.2
Total debt	2,296.4	2,206.2	2,296.2	2,205.5	2,252.4
UGI Corporation stockholders' equity	1,977.7	1,824.5	1,591.4	1,417.7	1,321.9
Noncontrolling interests, principally in AmeriGas Partners	213.4	237.1	225.4	159.2	192.2
Total capitalization	$ 4,487.5	$ 4,267.8	$ 4,113.0	$ 3,782.4	$ 3,766.5
Ratio of capitalization:					
Total debt	51.2%	51.7%	55.8%	58.3%	59.8%
UGI Corporation stockholders' equity	44.1%	42.8%	38.7%	37.5%	35.1%
Noncontrolling interests, principally in AmeriGas Partners	4.7%	5.5%	5.5%	4.2%	5.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") discusses our results of operations and our financial condition. MD&A should be read in conjunction with our Items 1 & 2, "Business and Properties," our Item 1A, "Risk Factors" and our Consolidated Financial Statements in Item 8 below including "Segment Information" included in Note 21 to Consolidated Financial Statements.

Executive Overview

We recorded net income attributable to UGI Corporation in Fiscal 2011 of $232.9 million, equal to $2.06 per diluted share, compared to net income attributable to UGI Corporation in Fiscal 2010 of $261.0 million, equal to $2.36 per diluted share. Results in Fiscal 2011 include an after-tax loss of $10.3 million ($0.09 per diluted share) associated with AmeriGas Partners' extinguishments of Senior Notes and an after-tax loss of $3.9 million ($0.03 per diluted share) from currency hedges associated with funding a portion of UGI's acquisition of certain of Shell's European LPG businesses in October 2011. Fiscal 2011 net income also includes $9.4 million ($0.08 per diluted share) from the reversal at Antargaz of a nontaxable reserve associated with the French Competition Authority Matter. Net income attributable to UGI Corporation in Fiscal 2010 includes a $17.2 million after-tax gain ($0.16 per diluted share) from the sale of Energy Services' subsidiary, Atlantic Energy, LLC ("Atlantic Energy"), and a $3.3 million after-tax loss ($0.03 per diluted share) from the discontinuance of Partnership interest rate hedges.

Fiscal 2011 net income attributable to UGI Corporation includes greater net income from our Gas Utility principally the result of colder Fiscal 2011 heating-season weather and the regulatory effects of greater state tax depreciation. The increase in Gas Utility net income, however, was more than offset by lower net income from our International Propane segment. Significantly warmer late winter and spring weather at Antargaz resulted in an early end to the heating season. In addition, average unit margins at Antargaz, primarily during the first quarter of Fiscal 2011, were negatively impacted by rapidly rising LPG product costs. Excluding the impacts on AmeriGas Propane's results of the previously mentioned loss on extinguishments of debt in Fiscal 2011 and the loss on the interest rate hedges in Fiscal 2010, Fiscal 2011 AmeriGas Propane net income attributable to UGI Corporation was comparable with Fiscal 2010. AmeriGas Propane volumes sold were negatively affected by significantly warmer than normal late 2011 winter weather in our southern regions and continued customer conservation. Midstream & Marketing's Fiscal 2011 contribution to net income attributable to UGI Corporation was slightly above Fiscal 2010 (after adjusting for the Fiscal 2010 gain from the sale of Atlantic Energy) principally reflecting greater contributions from its energy peaking business, natural gas storage and natural gas marketing activities and greater tax benefits associated with solar energy projects. Income from these activities was largely offset by lower contribution from electricity generation assets.

We believe that each of our business units has sufficient liquidity in the form of revolving credit facilities, and in the case of Energy Services also an accounts receivable securitization facility, to fund business operations in Fiscal 2012. UGI Utilities, AmeriGas OLP and Antargaz entered into new credit facilities during Fiscal 2011, and Energy Services extended its receivables securitization facility through April 2012. Also, during Fiscal 2011, Flaga entered into a new multi-currency working capital facility and extended the termination dates of its two euro-based working capital facilities into Fiscal 2012. We do not have significant amounts of long-term debt maturing during Fiscal 2012.

On October 14, 2011, UGI, through subsidiaries, acquired Shell's LPG distribution businesses in the United Kingdom, Belgium, the Netherlands, Luxembourg, Denmark, Finland, Norway and Sweden. In addition, on October 17, 2011, AmeriGas Partners announced that it had reached a definitive agreement to acquire the retail propane business of Energy Transfer Partners, comprising the third largest retail propane distributor in the United States, for total consideration of approximately $2.9 billion in cash and AmeriGas Partners Common Units. For more information on these transactions, see "Subsequent Events" below and Note 22 to UGI's Consolidated Financial Statements.

Looking ahead, our results in Fiscal 2012 will be influenced by a number of factors including heating-season temperatures in our business units, the level and volatility of commodity prices for natural gas, LPG, electricity and oil and economic conditions in the U.S. and Europe. During the last year, we took a number of steps to set the stage for accelerating growth in the future including the transfer of CPG Gas underground natural gas storage assets to our Midstream & Marketing business, the completion of the conversion and expansion of the Hunlock Creek gas-fired electricity generating station, the October 2011 consummation of the Shell LPG acquisition in Europe, and the Partnership's agreement to acquire Heritage Propane from Energy Transfer Partners which we hope to close by March 31, 2012. In addition, at our Midstream & Marketing business we began work on our Auburn gathering system in the Marcellus Shale region in northern Pennsylvania and we are continuing our efforts to complete the expansion of our Temple, Pennsylvania, LNG plant during Fiscal 2012. The growth from these initiatives will not be fully realized in Fiscal 2012 due to the timing of their completion and the timing of integration activities relating to the acquired businesses. In particular, the impact of the anticipated acquisition of the retail propane business of Energy Transfer Partners on Fiscal 2012 results will depend upon when the transaction closes given the size of the acquisition and the seasonality of the business.

Results of Operations

The following analyses compare the Company's results of operations for (1) Fiscal 2011 with Fiscal 2010 and (2) Fiscal 2010 with the year ended September 30, 2009 ("Fiscal 2009").

Fiscal 2011 Compared with Fiscal 2010
Consolidated Results

Net Income (Loss) Attributable to UGI Corporation by Business Unit:

	2011		2010		Variance - Favorable (Unfavorable)	
(Millions of dollars)	Amount	% of Total	Amount	% of Total	Amount	% of Total
AmeriGas Propane	$ 39.9	17.1%	$ 47.3	18.1%	$ (7.4)	(15.6)%
International Propane	41.0	17.6%	58.8	22.5%	(17.8)	(30.3)%
Gas Utility	99.3	42.6%	83.1	31.8%	16.2	19.5%
Electric Utility	5.7	2.5%	6.8	2.6%	(1.1)	(16.2)%
Midstream & Marketing	52.5	22.5%	68.2	26.1%	(15.7)	(23.0)%
Corporate & Other	(5.5)	(2.3)%	(3.2)	(1.1)%	(2.3)	N.M.
Net income attributable to UGI Corporation	$ 232.9	100.0%	$ 261.0	100.0%	$ (28.1)	(10.8)%

N.M. — Variance is not meaningful.

Highlights — Fiscal 2011 versus Fiscal 2010

- Gas Utility results in Fiscal 2011 reflect the benefits of colder heating-season weather. Gas Utility results in Fiscal 2011 also include lower state income tax expense resulting from the regulatory effects of greater state tax depreciation.

- Antargaz' Fiscal 2011 results were negatively affected by warmer than normal late winter and spring weather resulting in an early end to the heating season. Antargaz' results also include $9.4 million from the reversal of a nontaxable reserve associated with the French Competition Authority Matter. Antargaz results in Fiscal 2011 were approximately $7.3 million lower than in Fiscal 2010 due to year-over-year differences in euro to dollar currency rates.

- AmeriGas Propane Fiscal 2011 results include a $10.3 million after-tax loss on extinguishments of debt while Fiscal 2010 results include a $3.3 million after-tax loss on interest rate hedges.

- Midstream & Marketing net income was lower in Fiscal 2011 as Fiscal 2010 included a $17.2 million after-tax gain from the sale of Atlantic Energy.

AmeriGas Propane	2011	2010	Increase (Decrease)	
(Millions of dollars)				
Revenues	$2,538.0	$2,320.3	$ 217.7	9.4%
Total margin (a)	$ 932.7	$ 925.2	$ 7.5	0.8%
Partnership EBITDA (b)	$ 297.1	$ 321.0	$ (23.9)	(7.4)%
Operating income	$ 242.9	$ 235.8	$ 7.1	3.0%
Retail gallons sold (millions)	874.2	893.4	(19.2)	(2.1)%
Degree days – % (warmer) than normal (c)	(1.0)%	(2.3)%	—	—

(a) Total margin represents total revenues less total cost of sales.

(b) Partnership EBITDA (earnings before interest expense, income taxes and depreciation and amortization) should not be considered as an alternative to net income (as an indicator of operating performance) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America ("GAAP"). Management uses Partnership EBITDA as the primary measure of segment profitability for the AmeriGas Propane segment (see Note 21 to Consolidated Financial Statements). Partnership EBITDA for Fiscal 2011 includes pre-tax losses of $38.1 million associated with extinguishments of debt. Partnership EBITDA and operating income for Fiscal 2010 includes a pre-tax loss of $12.2 million associated with the discontinuance of interest rate hedges and a pre-tax loss of $7 million associated with an increase in a litigation accrual.

(c) Deviation from average heating degree-days for the 30-year period 1971-2000 based upon national weather statistics provided by the National Oceanic and Atmospheric Administration ("NOAA") for 335 airports in the United States, excluding Alaska. Fiscal 2010 data has been adjusted to correct a NOAA error.

Based upon heating degree-day data, average temperatures in the Partnership's service territories were 1.0% warmer than normal during Fiscal 2011 compared with weather that was approximately 2.3% warmer than normal in Fiscal 2010. Retail propane gallons sold declined principally due to the effects of an early end to the heating season in our southern regions, customer conservation and the impact on AmeriGas Propane's prior-year volumes of a strong crop-drying season partially offset by volumes acquired through acquisitions.

Retail propane revenues increased $177.3 million during Fiscal 2011 reflecting higher average retail sales prices ($220.2 million) partially offset by lower retail volumes sold ($42.9 million). Wholesale propane revenues increased $24.4 million principally reflecting higher wholesale selling prices ($29.9 million) partially offset by slightly lower wholesale volumes sold ($5.5 million). Average wholesale propane prices at Mont Belvieu, Texas, a major supply location in the U.S., were approximately 27% higher in Fiscal 2011 compared with average wholesale propane prices during Fiscal 2010. Revenues from fee income and ancillary sales and services increased $16.0 million in Fiscal 2011. Total cost of sales increased $210.2 million, to $1,605.3 million, principally reflecting the higher Fiscal 2011 wholesale propane product costs.

Total margin was $7.5 million higher in Fiscal 2011 as higher non-propane margin from fee income and certain ancillary sales and services was offset in part by lower retail propane total margin ($2.9 million). The lower retail propane total margin reflects the effects of the lower retail volumes sold ($17.5 million) partially offset by the effects of slightly higher average retail unit margins ($14.6 million).

The $23.9 million decrease in EBITDA during Fiscal 2011 includes (1) losses on the extinguishments of Partnership Senior Notes ($38.1 million) and (2) modestly higher operating and administrative expenses ($10.9 million). The negative effects of these items on the change in Partnership EBITDA were partially offset by (1) the absence of a $12.2 million loss recorded in Fiscal 2010 resulting from the discontinuance of interest rate hedges; (2) higher other income ($5.7 million); and (3) the previously mentioned greater total margin ($7.5 million). The higher operating and administrative expenses in Fiscal 2011 principally includes greater compensation and benefits expenses ($13.2 million) and vehicle fuel expenses ($8.3 million) partially offset by lower self-insured liability and casualty expenses ($6.3 million).

Operating income (which excludes the loss on extinguishments of debt) increased $7.1 million in Fiscal 2011 principally reflecting (1) the previously mentioned higher total margin ($7.5 million); (2) the absence of the loss on interest rate hedges recorded in Fiscal 2010 ($12.2 million); and (3) the higher other income ($5.7 million) partially offset by the higher operating and administrative expenses ($10.9 million) and greater depreciation and amortization ($7.3 million).

International Propane	2011	2010	Increase (Decrease)	
(Millions of euros) (a)				
Revenues	€ 1,059.6	€ 763.1	€ 296.5	38.9%
Total margin (b)	€ 371.7	€ 345.8	€ 25.9	7.5%
Operating income	€ 72.0	€ 82.4	€ (10.4)	(12.6)%
Income before income taxes	€ 51.2	€ 62.2	€ (11.0)	(17.7)%
(Millions of dollars) (a)				
Revenues	$ 1,488.7	$ 1,059.5	$ 429.2	40.5%
Total margin (b)	$ 517.9	$ 477.4	$ 40.5	8.5%
Operating income	$ 86.1	$ 117.0	$ (30.9)	(26.4)%
Income before income taxes	$ 57.0	$ 89.5	$ (32.5)	(36.3)%
Antargaz retail gallons sold	270.5	279.9	(9.4)	(3.4)%
Antargaz degree days – % (warmer) than normal (c)	(7.8)%	(0.5)%	—	—
Flaga retail gallons sold	159.2	70.4	88.8	126.1%
Flaga degree days – % (warmer) than normal (c)	(4.6)%	(0.5)%	—	—

(a) Euro amounts represent amounts for Antargaz and Flaga. U.S. dollar amounts include Antargaz and Flaga as well as our operations in China and certain non-operating entities associated with our International Propane segment.

(b) Total margin represents total revenues less total cost of sales.

(c) Deviation from average heating degree days for the 30-year period 1971-2000 at locations in our French service territory.

Based upon heating degree-day data, temperatures in Antargaz' service territory were approximately 7.8% warmer than normal and warmer than Fiscal 2010. Temperatures in Flaga's service territory were also warmer than normal and warmer than the prior year. Antargaz' retail volumes declined principally due to the warmer Fiscal 2011 weather and, to a lesser extent, price-induced customer conservation resulting from higher year-over-year LPG product prices. LPG wholesale product prices rose rapidly principally during the first quarter of Fiscal 2011 compared with more gradual price increases during Fiscal 2010. Based upon posted wholesale LPG prices in Northwest Europe, Fiscal 2011 average euro-based propane and butane costs were approximately 29% higher than in Fiscal 2010. The significant increase in Flaga's Fiscal 2011 retail gallons sold reflects the effects of acquisitions made in late Fiscal 2010 and early Fiscal 2011.

Our International Propane base-currency results are translated into U.S. dollars based upon exchange rates experienced during each of the reporting periods. The dollar was generally stronger during the 2011 heating season months and weaker during the remainder of Fiscal 2011. The effects of these differences in exchange rates reduced Antargaz Fiscal 2011 net income compared to last year by approximately $7.3 million or 6 cents per diluted share.

International Propane euro base-currency revenues increased €296.5 million or 38.9% reflecting higher revenues from Antargaz (€117.0 million) and Flaga (€179.5 million). The increase in Antargaz revenues principally reflects the effects of (1) higher average retail selling prices (€80.2 million) and (2) higher wholesale revenues (€48.7 million). The higher Flaga revenues reflect the effects of the previously mentioned acquisitions and higher average retail prices. The higher average retail prices resulted from the previously mentioned year-over-year increase in wholesale LPG product costs. In U.S. dollars, revenues increased $429.2 million or 40.5% principally reflecting the previously mentioned higher euro base-currency revenues. International Propane's euro base-currency total cost of sales increased to €687.9 million in Fiscal 2011 from €417.3 million in Fiscal 2010 principally reflecting (1) the higher LPG product costs and (2) the greater Flaga retail volumes sold and Antargaz wholesale volumes sold. On a U.S. dollar basis, cost of sales increased to $970.8 million in Fiscal 2011 from $582.1 million in Fiscal 2010 period principally reflecting the higher euro base-currency LPG commodity costs and the previously mentioned higher Flaga retail and Antargaz wholesale volumes sold.

International Propane euro-denominated total margin increased €25.9 million or 7.5% in Fiscal 2011 reflecting higher total margin from Flaga (€41.9 million) partially offset by lower total margin from Antargaz (€16.0 million). The increase in Flaga's total margin reflects the greater retail gallons sold. The decrease in Antargaz' total margin principally reflects the lower total volumes and the effects of rapidly rising LPG product costs on unit margins primarily during the first quarter of Fiscal 2011. U.S dollar total margin increased $40.5 million or 8.5% principally reflecting the previously mentioned higher euro base-currency total margin.

International Propane euro base-currency operating income decreased €10.4 million principally reflecting the lower total margin at Antargaz (€16.0 million) and lower operating income at Flaga (€1.9 million) offset by the reversal of the nontaxable reserve at Antargaz associated with the French Competition Authority Matter (€7.1 million). At Flaga, the higher euro base-currency total margin (€41.9 million) was offset by higher operating, administrative and depreciation expenses (€41.7 million) principally associated with the acquired businesses. U.S. dollar based operating income and income before income taxes decreased $30.9 million and $32.5 million, respectively, principally reflecting (1) the decline in euro base-currency operating income; (2) the combined effects of the stronger dollar during the Fiscal 2011 heating-season and the weaker dollar during the second half of Fiscal 2011; and (3) a $6.1 million pre-tax loss on currency hedges used to economically hedge the U.S. dollar amount of a substantial portion of the euro-denominated purchase price of the October 14, 2011, acquisition of Shell's European LPG businesses.

Gas Utility	2011	2010	Increase (Decrease)	
(Millions of dollars)				
Revenues	$ 1,026.4	$ 1,047.5	$ (21.1)	(2.0)%
Total margin (a)	$ 415.8	$ 394.1	$ 21.7	5.5%
Operating income	$ 199.6	$ 175.3	$ 24.3	13.9%
Income before income taxes	$ 159.2	$ 134.8	$ 24.4	18.1%
System throughput – billions of cubic feet ("bcf")	173.2	153.9	19.3	12.5%
Degree days – % colder (warmer) than normal (b)	3.5%	(4.5)%	—	—

(a) Total margin represents total revenues less total cost of sales.

(b) Deviation from average heating degree days for the 15-year period 1995-2009 based upon weather statistics provided by the National Oceanic and Atmospheric Administration ("NOAA") for airports located within Gas Utility's service territory.

Temperatures in the Gas Utility service territory based upon heating degree days were 3.5% colder than normal in Fiscal 2011 compared with temperatures that were 4.5% warmer than normal in Fiscal 2010. Total distribution system throughput increased 19.3 bcf reflecting higher throughput to certain low-margin interruptible delivery service customers, the effects of the colder weather on core market and delivery service customers and, to a lesser extent, customer growth from conversion activity. Gas Utility's core-market customers are comprised of firm-residential, commercial and industrial ("retail core-market") customers who purchase their gas from Gas Utility and, to a lesser extent, residential and small commercial customers who purchase their gas from alternate suppliers.

Gas Utility revenues in Fiscal 2011 were lower than in the prior year principally reflecting a decline in revenues from core-market customers ($33.4 million) partially offset by a $14.7 million increase in revenues from low-margin off-system sales. The decrease in core market revenues principally resulted from lower average retail core market PGC rates reflecting lower natural gas prices ($83.5 million) offset by the effects of the higher throughput. Increases or decreases in retail core-market revenues and cost of sales principally result from changes in retail core-market volumes and the level of gas costs collected through the PGC recovery mechanism. Under the PGC recovery mechanism, Gas Utility records the cost of gas associated with sales to retail core-market customers at amounts included in PGC rates. The difference between actual gas costs and the amounts included in rates is deferred on the balance sheet as a regulatory asset or liability and represents amounts to be collected from or refunded to customers in a future period. As a result of this PGC recovery mechanism, increases or decreases in the cost of gas associated with retail core-market customers have no direct effect on retail core-market margin. Gas Utility's cost of gas was $610.6 million in Fiscal 2011 compared with $653.4 million in Fiscal 2010 principally reflecting the lower average PGC rates offset in part by an increase in retail core-market sales.